Council of the European Union

Brussels, 7 March 2023
(OR. en)

Interinstitutional File: 2023/0049(COD)

6896/23
ADD 5

ENT 38
MI 144
COMPET 151
IND 75
CHIMIE 14
AGRILEG 31
ENV 182
IA 33
CODEC 270

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	27 March 2023
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2023) 50 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT Accompanying the document Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2019/1009 as regards the digital labelling of EU fertilising products

Delegations will find attached document SWD(2023) 50 final.

Encl.: SWD(2023) 50 final

EUROPEAN
COMMISSION

Brussels, 27.2.2023
SWD(2023) 50 final

COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council

amending Regulation (EU) 2019/1009 as regards the digital labelling of EU fertilising products

{COM(2023) 98 final} - {SEC(2023) 99 final} - {SWD(2023) 48 final} -
{SWD(2023) 49 final}

Executive Summary Sheet
Impact assessment on a proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2019/1009 EU Fertilising Products Regulation
A. Need for action
What is the problem and why is it a problem at EU level?
The Fertilising Products Regulation (FPR) applies as of 16 July 2022 and lays down rules on making available EU fertilising products on the internal market. In the EU, manufacturers of fertilising products may choose freely to either place their products on the market as 'harmonised products' (products that comply with the FPR), and such products move freely in the internal market; or as 'non-harmonised products' (products that comply with national rules applicable in each EU country). This impact assessment concerns the digitisation of the labelling of EU fertilising products (i.e. placed on the market under the FPR). Under the FPR, the labelling requirements, when compared to the previous Regulation, have substantially increased. There are also no rules regarding the voluntary digitisation of the labels, so there are no minimum standards to ensure the quality of information, currently provided digitally on a voluntary basis. These issues lead to the **first problem, i.e. the labels on EU fertilising products are difficult to read for users**. Further, the extensive labelling requirements under the FPR take a lot of space, which can serve as a barrier to effective free movement of products, as considerable label space is needed to accommodate multi-language labels. Further to this, some labelling information changes frequently. For instance, for organic fertilisers, the content of the various forms of nutrients may vary from one batch to another, depending on the quality of the input materials used. In addition, within the industry, some economic operators remake the labels before the product reaches the end-users, because the products are either blended, repackaged or rebranded. In parallel, products sold in bulk need leaflets personalised for each customer, which involves an unjustified administrative burden, given also the specific nature of bulk sales. These issues lead to the **second problem, i.e. EU fertilising product labels are difficult to manage for manufacturers**.
What should be achieved?
This initiative should help achieve a high level of protection for human, animal and plant health, safety and the environment, as well as ensuring the effective functioning of the internal market in fertilising products through alignment of the rules across the EU-27. More specifically, this initiative should improve the readability of the labels of EU fertilising products and help economic operators to manage labels properly.
What is the value added of action at the EU level (subsidiarity)?
EU countries could tackle part of the problem nationally, by adopting their own rules on minimum standards for digitising the labels, given that this issue is not yet covered in the FPR itself. However, this would not address the first problem identified, as the same information will be provided on the physical labels, without any change. Such an approach would unavoidably lead to different practices all over the EU and create obstacles to the functioning of the internal market. It could lead to inequalities in terms of potential cost savings and communication of information. It would also increase costs for industry, having to adapt to divergent digital labelling requirements in different EU countries. By contrast, introducing the conditions for the digital label at EU level has the added value of aligning the various practices. By creating a level playing field, such an initiative would improve the functioning of the internal market, while ensuring the high standard of protection sought by the FPR. The added value of EU action also lies in the existence of potential economies of scale in the fertilising products industry. Aligning digital labelling requirements across the EU could facilitate the use of multilingual labels and thus support the distribution of products with the same label in more than one EU country.
B. Solutions

What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?

In addition to the baseline scenario of no action, the impact assessment identifies 3 policy options (POs). Options can be combined;

- **PO1** proposes the development of a guidance document by the Commission on digital labelling.
- **PO2** can be divided into **five separate options** (**2a – 2e**), which allow various amounts of information to be provided on a digital label.

  Under all options introducing digital labelling, the option to label the selected information physically on a product or under a digital label remains optional. Any option introducing digital labelling further triggers some fundamental principles, to protect end-users and ensure the accessibility, availability and quality of digital information.

  Finally, some of the options below make a distinction between professional and non-professional users. Such options have been included as the impact assessment found that *what* information product users find essential, as well as *how* they use the label depends on the user group (where non-professional users, i.e. hobby gardeners, acting outside the scope of an economic activity, often do not understand technical label information, and professional users rely less on labels overall).

  - **PO2a** would allow *some* label information to be provided only digitally.
  - **PO2b** would allow *some* label information to be provided only digitally, with a distinction between professional and non-professional users.
  - **PO2c** would allow *most* of the label information to be provided only digitally.
  - **PO2d** would allow *most* of the label information to be provided only digitally, with a distinction between professional and non-professional users.
  - **PO2e** would allow *some* of the label information to be provided only digitally for non-professional users, and *most* of the label information to be provided only digitally for professional users.
- **PO3** allows all of the label information to be provided digitally for products sold in bulk (without product packaging) and products not sold to end-users (e.g. used by industrial users, such as blenders, packagers, repackagers).

The preferred option is **PO2a** together with **PO3**. While PO2a is the most cautious in terms of the scope of the information to be provided only digitally, PO3 further considerably contributes to the effectiveness of solving the two problems by targeting certain segments of the market where digital labelling can be implemented at low risk, with high impact. This preferred package ensures the most balanced approach in terms of costs and benefits while most taking into account the digital divide[1].

What are different stakeholders' views? Who supports which option?

The consultation activities have confirmed broad support for digitising some label information. Overall, the slight preference among industry stakeholders was for PO2a and PO2d (PO2d allows for the highest amount of label information to be moved to a digital label). The difference in preference for these two options may be explained by the different level of digitalisation in different companies (74% of respondents to the public consultation indicated they already provide product information digitally).

For the overall digitisation of EU fertilising product labels, the general preference of public authorities was for PO2a and PO2b, and particularly as a model for transition (i.e. to gradually shift to more digital labelling once confidence is gained). In terms of PO2b, there was some disagreement between national authorities in terms of the feasibility of applying a distinction between professional and non-professional users.

PO3 is widely accepted by all stakeholders (including industry, public authorities and product users).

[1] The digital divide refers to the distinction between those who have internet access and are able to make use of new services offered on the internet, and those who are excluded from these services.

C. Impacts of the preferred option
What are the benefits of the preferred option (if any, otherwise main ones)?
The impact assessment considers the total accruing annual benefits for companies under the preferred policy option package to be €6,857 for SMEs and €62,833 for large companies. Savings offset the costs identified below, and cost savings are expected to increase in the longer term. The possibility of providing certain information only digitally under PO2a, and all information digitally for products sold to economic operators under PO3, would lead to cost savings for the industry because: • the manufacturers, including SMEs, remain free to decide whether to use the digital labelling. Consequently, such a decision would be taken by those manufacturers who estimate costs savings in at least the medium or long term; • digital labels are less expensive to update, so in the long term some savings could be expected due to less frequent reprinting of labels. Therefore, the preferred option package will reduce labelling costs and will create a level playing field between economic operators. The labelling costs will be reduced both by including more languages on the label and by avoiding reprinting due to label changes. The impact assessment confirms that the more label information is allowed to be provided digitally (and in particular fast-changing information), the greater the cost savings for industry. This is particularly why PO3 would provide substantial benefits. Secondly, under PO2a, all the safety-related information on the physical label is kept. By reducing the information to be included on the physical label, safety information will become more visible thus contributing to the objective of protecting health and the environment. Due to the specific nature of products covered by PO3 (i.e. bulk products without packaging, or products designed to be combined and blended before reaching an end-user), providing all product information in digital form, including safety information, is considered acceptable in this case. Lastly, this preferred package of options is easier to apply and enforce, as no distinction is made between professional and non-professional users. Such a distinction does not exist in the FPR itself. It would have implied both that the manufacturers would have had to target their products to one or other of the two categories and that the enforcement authorities would have had to check that products for professional users are not sold to non-professional users.
What are the costs of the preferred option (if any, otherwise main ones)?
The impact assessment assumes that the costs of providing information in digital format for any specific business would be more or less identical across PO2a-PO2e, and PO3. Despite incurring **one-off costs** (e.g. costs for purchasing equipment reading QR codes, redesigning labels; estimated at €14,998 for large companies and €1,796 for SMEs) and **ongoing costs** (e.g. re-training staff, equipment depreciation and maintenance of software and web pages; estimated at €2,700 for large companies, and €1,170 for SMEs), PO2a combined with PO3 is expected to lead to costs savings (as explained in the previous section).
What are the impacts on SMEs and competitiveness?
Policy options disproportionality disadvantaging SMEs, for instance options proposing mandatory digital labelling, were discarded at an early stage of the screening process. PO2a together with PO3 will allow SMEs to reap the benefits of the digital age and will result in potential burden reduction, in the same way as for larger companies. However, it must be noted that compared to large companies, SMEs are found to be less likely to provide information about their products online, but not by significant amounts. Based on the results of the public consultation, 70% of the SMEs compared to 79% of large companies already provide information about their products digitally. This illustrates that benefits as a result of introducing voluntary digital labelling would be very likely for SMEs. Allowing label information to move from a physical label to a digital label will support the competitiveness of those companies that have challenges regarding space constraints of labels. Reducing the amount of information required on the physical label can improve the free movement of fertilising products across all 27 EU

countries.

Being able to include more languages on the physical labels, by moving some information under a digital label, would mean that it is more cost-effective to distribute products to multiple EU countries, which supports increased investment and economies of scale.

Will there be significant impacts on national budgets and administrations?

No, although EU countries may face some adaptation costs to adjust to the new Regulation. However, since they already have digital literacy and deal with digital devices within their professional capacity, this will not be a significant impact/burden.

Will there be other significant impacts?

No other significant impacts have been identified.

Proportionality?

The preferred option complies with the proportionality principle. It does not exceed what it is needed to achieve the objectives followed. Digitising the labels will remain optional. Whenever it is used, it will be accompanied by the general principles of digital labelling, to ensure the quality and accessibility of the information provided digitally.

Consistent with the approach that will be taken on digital labelling for chemicals (CLP Regulation) and detergents, as experience and confidence is gained in digital labelling, it could be possible to increase the amount of information available digitally in the future, which may further increase the simplification potential for industry.

D. Follow up

When will the policy be reviewed?

The new regulation will be evaluated as part of the overall evaluation of the functioning of the FPR in 2026.